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Progress report on the implementation of a flexible workplace at United Nations Headquarters

Report of the Secretary-General

Summary

The present report is the second annual progress report on the implementation of flexible workplace strategies at United Nations headquarters submitted pursuant to section XVI, paragraph 8 of General Assembly resolution 71/272 A. The report provides an update on the status of the project since the first annual progress report (A/70/708) and responds to requests contained in paragraphs 3, 5, 7, 9 and 10 of the above-mentioned resolution.

In the present report, the estimated project unit costs have been revised downwards, on the basis of the tailored contracts that have been put in place for the project, and greater space efficiencies are assumed, on the basis of further observations of space utilization on the flexible workplace floors in the Secretariat. This in turn would enable the Organization to vacate more leases than previously assumed, thereby achieving a reduction in annual recurrent rental costs of $16.3 million for the Organization.

As requested by the General Assembly, the report presents a schedule and plan for the completion of the project. The Assembly is requested to take note of the project plan and its revised estimated cost and to approve the continuation of the project as well as the three temporary positions for the project team, authorize the Secretary-General to enter into commitments up to the amount of $25,401,200 in respect of the project costs in 2018-2019 and appropriate the amount of $6,586,600.

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I. Introduction

1. The present report provides an update on progress in the implementation of flexible workplace strategies at United Nations Headquarters since consideration by the General Assembly during the main part of its seventy-first session of the first annual progress report of the Secretary-General on this topic (A/70/708). The present report is submitted pursuant to section XVI, paragraph 8, of General Assembly resolution 71/272 A and responds to requests contained in paragraphs 3, 5, 7, 9 and 10 of that section.

II. Background

2. In 2013, in his report (A/68/387), the Secretary-General presented the results of a study into the feasibility of implementing flexible workplace strategies at United Nations Headquarters to the sixty-eighth General Assembly. The main findings of the study were that successful implementation should include enhanced information technology and other services, supportive human resource policies and an iterative process adapted to constantly evolving work practices involving robust internal communications, consultations and training programmes, internal surveys, focus group studies and test environments. The benefits of a flexible workplace when well implemented were identified as greater staff productivity, enhanced collaboration in the workplace, improved business continuity and disaster recovery, improved staff retention and reduced real estate needs and costs. The risks associated with poor implementation of the flexible workplace were noted as reluctance on the part of the staff and impaired staff morale, reduced productivity and reputational risk. In section IV, paragraph 5, of its resolution 68/247 B, the General Assembly requested the Secretary-General to submit a business case for the application of flexible workplace strategies at the United Nations.

3. In 2014, the Secretary-General presented a report (A/69/749) incorporating a business case to the sixty-ninth session of the General Assembly. The report included the results of a pilot programme and of a further study conducted in 2014. These confirmed the general principles that implementing flexible workplace strategies would require an integrated change management approach as identified in the feasibility study presented to the sixty-eighth session. The main findings were that:

(a) The pilot study was largely successful and that with adjustments flexible workplace across United Nations Headquarters could be successful;

(b) By providing staff with workplace choice, flexibility and more access to natural light, the overall quality of the workplace experience at the United Nations could be improved;

(c) Headquarters could avoid significant long-term commercial real estate lease requirements through space efficiencies gained by implementing a flexible workplace programme. However, an up-front investment would be required.

4. The business case proposed in the 2014 report was to implement flexible workplace strategies at Headquarters on 26 floors of the Secretariat Building and 8 floors of the FF building. The cost of implementation was estimated at $49,598,600; works would be completed in early 2018; the project would result in accommodating 800 more staff in the Secretariat Building and 150 more in the FF Building. Through implementation of the project the Secretariat would be able to vacate and not renew leases in the Daily News Building, the Albano Building and the United Nations Federal Credit Union Building in Long Island City. The total

project costs would be covered by reductions in lease costs by 2020 and there would be recurrent annual lease savings to Member States of approximately $16 million thereafter.

5. In section VII of its resolution 69/274 A, Section VII, the General Assembly requested the continued implementation of the project activities planned for 2015 and a progress report to be submitted to it at its seventieth session. Further to this request, in 2016 the Secretary-General's report (A/70/708) presented a revised implementation plan with project changes on the basis of experience gained. The project changes reflected the experience that more small enclosed meeting spaces and greater provision for personal storage were needed. The report also presented a revised cost estimate and a revised plan to vacate and not renew leases (exit plan). On the basis of the information available at the time, implementation costs were estimated at $65,709,400, involving 26 floors of the Secretariat Building, 3 floors of the FF Building and 5 floors in the DC1 Building, to accommodate 800 more staff in the Secretariat Building, 75 more in the FF Building and 75 more in the DC1 Building. The revised lease exit plan was to vacate the Daily News Building and 300 East 42nd Street (known as the Innovation Building). Project costs would be covered by reductions in lease costs in 2023, and it was estimated that there would be annual recurrent savings to Member States of $12.6 million in rent.

6. The General Assembly further considered the report in the main part of the seventy-first session, and in section XVI of its resolution 71/272 A, section XVI, the General Assembly, inter alia:

(a) Requested that lessons learned from the outcomes of the pilot programme be analysed;

(b) Noted that flexible workplace strategies should be aimed at improving the overall productivity and efficiency of the Organization as well as the staff workplace environment and requested that the impact of the flexible workplace pilot on productivity be assessed and reliable qualitative and quantitative benefit indicators as well as other factors for the improvement of overall productivity and staff well-being be provided;

(c) Requested the Secretary-General to ensure full compliance with its decisions and full cooperation with the implementation plan for the project, while meeting the needs of staff and ensuring their well-being and productivity;

(d) Requested that the cost projections of the project be vigorously revisited and that all aspects of the project scope, schedule, costs and financial benefits be scrutinized to ensure that they were in line with the mandates of the General Assembly;

(e) Requested that a realistic implementation plan be submitted for the full scope of the project;

(f) Requested the Secretary-General to continue with the implementation of flexible workplace strategies in New York with a maximum number of 140 staff per floor; and authorized the Secretary-General to spend $10 million in 2017 for the application of flexible workplace in the Secretariat Building, to be funded from within existing resources;

(g) Decided that flexible workplace strategies should not be implemented in rental properties where the rental contacts are due to expire without prospect of renewal;

(h) Requested that complementarities between flexible workplace strategies and flexible working arrangements be sought;

(i) Decided that flexible working arrangements should be an integral part of flexible workplace strategies, and that the bulletin on flexible working arrangements should be updated;

(j) Requested that the implementation plan include linkages to ongoing reform initiatives, such as the deployment of Umoja, and the study on long-term accommodation needs at United Nations Headquarters;

(k) Requested that the implementation of flexible workplace strategies take into account the needs of language staff to ensure that the services provided to Member States is met the highest standard of quality;

(l) Decided that the flexible workplace strategy should be included in future reports of the strategic capital review.

7. In the present report, the estimated project costs have been revised downwards, as compared with those contained in the first progress report, on the basis of tailored contracts that have been executed to date for the project, and plans proposed for greater space efficiencies on the basis of further observations of space utilization on the flexible workplace floors in the Secretariat. This proposal would enable the Secretariat to vacate more leases, thereby achieving greater annual recurrent savings in rental costs.

III. Project status

8. During 2016, phase 1 of the flexible workplace project was implemented when construction on floors 13, 18 and 19 was completed. The staff of the Office of Human Resources Management, the Office of Information and Communications Technology and the Office of the United Nations High Commissioner for Human Rights (OHCHR) affected by phase 1 moved back to the reconfigured floors in June 2016.

9. Phase 2 of the project started in April 2017 when the occupants of the 12th floor of the Secretariat building (Department for General Assembly and Conference Management) moved to 3rd basement swing space. From April to July the floor was reconfigured and at the end of July the staff moved back to the completed floor.

10. Phase 3 started when the occupants of the 21st floor (Office of Programme Planning, Budget and Accounts) and the 20th floor (Office of Central Support Services) moved to swing space in the 3rd basement at the end of July 2017. It is planned that both these offices will return to the renovated floors in October 2017.

11. Programming and planning discussions with the departments and offices involved in phase 4 were started in June and July 2017. This phase will involve the move to swing space in November 2017 of staff of the Department for General Assembly and Conference Management, the Office of Disarmament Affairs, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict, the Office of the Special Representative of the Secretary-General on Sexual Violence in Conflict and the Peacebuilding Support Office from the 30th and 31st floors and of the Department of Field Support and the Department of Peacekeeping Operations from the 14th floor. These offices are expected to return to the renovated floors in February 2018.

IV. Lessons learned and changes to project approach

12. The main findings of the pilot programme conducted in 2014 are listed in paragraph 3. The pilot experience also highlighted the need for other changes that were subsequently incorporated into project plans. These included more acoustic and physical separation between working lounge areas and other work zones, a reduction in low-level seating, which was infrequently used, more enclosed spaces for small meetings and provision of more and different storage.

13. Beyond the pilot, the flexible workplace project entails ongoing engagement with users as an integral element. Through this engagement, lessons are continuously being gathered from all floors where a flexible workplace is implemented and, where deemed necessary, adjustments are made and incorporated into the implementation of subsequent phases.

14. A fundamental element of that engagement is the programming and planning approach used to assess departmental requirements and determine any customization needs (see A/70/708, sect. III, paras. 19-25). Experience has shown that this comprehensive assessment process, which includes consultation with staff representatives of the departments or offices concerned, is essential for the successful deployment of flexible workplace strategies. Once staff have occupied flexible workplace floors however, continued engagement remains key to ensure that lessons learned are identified and taken into account.

15. In this regard, as a follow-up to a survey completed in September 2016, approximately three months after staff had reoccupied the renovated flexible workplace floors (13, 18 and 19) of the Secretariat Building, a further evaluation of how these flexible workplace floors were functioning was conducted in May 2017. The evaluation consisted of three study components.

16. A survey was conducted of all staff on the floors. The survey used the same Workplace Performance Index method as was used for previous surveys so that results would be directly comparable.

17. On-site observations were conducted of the three floors over a three-day period. This involved one researcher investigating staff behavioural patterns and space usage and recording the periods of time spent working in different space types at different times of day on the three floors.

18. Three separate focus groups were also constituted, one comprising managers, one comprising general staff of all levels and a third comprising staff who were newcomers to a flexible workplace either because they had transferred to one of the floors or because they were new recruits to the United Nations. The focus groups discussed the space, how they found the space affected their ability to focus on work, work habits, change management and some topics specific to each group.

19. The overall findings of the May 2017 evaluation were that staff were successfully performing their functions in the midst of the significant workplace change that the project has delivered. The overall Workplace Performance Index rating for the flexible workplace floors was 54 out of 100; an improvement compared with the baseline assessment of 48 out of 100 which was conducted during the feasibility study in 2014. Staff gave greatly increased scores for natural light, design look and feel, and availability of common areas as compared with those given during the feasibility study. They also appreciate having standing desks and dual monitors. However, there were complaints about privacy, storage and noise, although researcher observations revealed that most spaces were normally quiet.

20. The survey results indicated that staff feel somewhat less productive in terms of their ability to focus and find colleagues or team members. However, comments indicate that their behaviours are changing, as technologies and digital tools are increasingly being utilized. Senior management reported seeing a rise in the productivity of their teams, while more junior managers had not observed this themselves. The survey also highlighted the importance of more change management engagement by department leadership to build awareness of the programmes principles, a smoother user experience regarding technology and new space types and the establishment of an on-boarding process for new and transferred staff.

21. It was also noted that at that stage of implementation the floors were considerably under-subscribed. While the programme calls for 1.25 staff for each unassigned workstation, the Phase 1 floors in May 2017 averaged about 0.86 staff per unassigned workstation. For the plans going forward and in line with General Assembly resolution 71/272 A, section XVI, paragraph 10, the project team has adjusted floor occupancy upwards, within the maximum of 140 staff per floor, taking into account available space and departmental requirements. The application of the practice of assuming higher occupancy levels in current and future phases will enable the Secretariat to vacate more commercially leased space and avoid the renewal of more leases than envisaged in the previous report (A/70/708).

22. While the undersubscription may have allowed staff to feel more comfortable during the transition, it meant that the flexible work spaces were not functioning fully as intended and that the behavioural expectations associated with the programme, such as a clean desk policy and the avoidance of "nesting" were not being fully implemented. In order to realize the full benefits of a flexible workplace, from the perspective of both organizational culture and space efficiency, oversubscription of the space is integral to its operation.

23. However, the success of the project is not simply tied to adding more staff to the floors concerned. Other insights that emerged from the May 2017 survey, observations and focus groups point to changing work habits in a flexible workplace. Staff reported more use of videoconferencing, desktop videoconferencing and instant messaging. Comments from the focus groups and from tours of the flexible workplace floors conducted by the project team indicate that a flexible workplace is especially attractive to young professionals entering the workforce. It is clear that a flexible workplace and flexible working arrangements are encouraging managers and supervisors to manage more on the basis of outputs and results rather than through the physical proximity of their staff in a workspace for set times of the working day. It can be argued that this focus on results is of itself having a positive impact on productivity and is driving better results-based management. The May 2017 study contained a number of recommendations and the project team is responding as summarized in table 1:

Table 1
Recommendations resulting from May 2017 study of the flexible workplace and follow-up

	Recommendation	*Project team follow-up*
1	Require more change management engagement led by department leadership to build awareness among staff of the project's principles e.g., workspace as a shared resource, as well as to generate buy-in of the required protocols e.g., clean desk and behaviours such as nesting.	Support increased change management engagement led by department leadership to build awareness among staff of the project's principles.
2	Establish a standard flexible workplace on-boarding process for new and transferred staff.	The project team is developing materials for a regular on-boarding workshop.
3	Associate flexible working arrangements more closely with the flexible workplace project to maximize staff autonomy and satisfaction.	A revised policy on flexible working arrangements is under consideration by senior management.
4	Ensure that the types of storage options available to staff are suitable for their short-term and long-term personal and departmental needs and that they are adequately communicated to staff.	The project team has expanded the types of storage available for departments (i.e. shared) and for individual staff.
5	Implement guidance for managers about how to manage in an unassigned environment in the form of in-person training and reference materials.	The project team is developing training materials, including a video to present best practices for managing in a flexible workplace environment and discussing other training materials with the Office of Human Resources Management.
6	Ensure the frequent, proactive monitoring of space technology and proper installation of technology infrastructure for fully productive space use.	The project team is discussing means of addressing this with the Office of Information and Communications Technology.
7	Re-evaluate the quiet zone placement in the west corridor owing to the visual and auditory distraction of passers-by. Possible options include a quiet zone room like a quiet car in a train or a secluded area of the floor by design.	The project team is considering options for addressing this in the design of subsequent floors.
8	Re-evaluate the appropriate mix of workstation types (primary, flexible, quiet, mobile desks), reducing or eliminating types for certain groups like mobile desks, where it is appropriate.	The project team is considering options to address this in designs of subsequent floors.

	Recommendation	Project team follow-up
9	Incorporate space performance feedback into construction details (e.g., enclosed booth acoustic privacy; meeting room glazing; desk electrical outlets).	The project team has reviewed the feedback and adjusted the scope to improve the space performance including adjusting the scope of the enclosed booths to improve the acoustic isolation, using standard meeting room glazing that provides a visual barrier to reduce distraction rather than to increase privacy, and providing additional USB ports as part of the desk set up for electronic device charging.
10	Take a bigger step towards more digital work styles, e.g., easier digitization of documents and processes to make work simpler and smoother.	The project team is discussing how this can be supported and facilitated.

V. Impact on productivity and staff well-being

A. Workplace Performance Index

24. With regard to the impact on productivity, the variety and complexity of the work contributions of the United Nations staff makes productivity difficult to measure through a definitive methodology that would be applicable across different offices, functions and levels. Thus, while productivity measurement itself remains elusive, it is considered reasonable to use workplace satisfaction as a proxy for productivity. Though not a direct measure, workplace satisfaction can have a direct relationship with productivity as staff tend to develop better attitudes and behaviours when their environment facilitates their ability to do well.

25. In this context, the Workplace Performance Index, which has been utilized in surveys over the past few years can provide valuable insights, particularly if changes are assessed over time. As indicated in the Secretary-General's first progress report, the Index captures the demographics of survey participants and measures how and where employees spend their time, how effectively the spaces that they use support their work and their overall impression of the workplace and work environment (see A/70/708, para. 45). While insight can be derived from each Index survey, more conclusive insights can be derived from results over time. In addition, the use of focus groups and observations can provide further insights in the issues underpinning the survey results. As noted in paragraph 19, the overall Index rating for the flexible workplace floors in the May 2017 was 54 out of 100. This represented an improvement compared with the baseline assessment of 48 out of 100 during the feasibility study in 2014. As important as this overall number, however, are the detailed findings of the survey, focus groups and observations which are reviewed and fed into the implementation of the project going forward.

B. Staff wellness

26. In the previous annual progress report (A/70/708) paragraphs 48 to 50, detailed the analysis that had been conducted on the possible impact on sick leave for the staff who participated in the flexible workplace pilot as compared with the same calendar period one year before and as compared with a control group over the same periods. This was examined as a proxy measure of staff well-being, which of course has a correlation with productivity. The conclusion was that no significant impact was found and that therefore from this measure no significant impact on staff well-being was noted.

C. Impact on performance appraisal

27. As another means of investigating possible impact on productivity, an analysis was conducted comparing the performance appraisals of staff in a flexible workplace as compared with previous periods before they were in a flexible workplace and as compared with a control group for the same periods. For the analysis, a pilot group of 126 secretariat staff who were accommodated in, or moved into, a flexible workplace from October 2016 was identified. The control group consisted of 549 staff in another Secretariat entity who were not accommodated in a flexible workplace. Only staff that had at least two completed performance evaluation documents for the previous three cycles (2013/14, 2014/15 and 2015/16) were included in the sample.

28. Both the pilot group and the control group exhibited similar patterns of variation in performance rating. There was an increase of about 10 per cent in the percentage of staff who received a rating of "Exceeds expectations" and a corresponding decrease in the "Fully meets expectations" category over the three-year period. While the category "Partially meets expectation" increased in the pilot group by 0.8 per cent, this represented one staff member, so, given the size of the pilot it should not be assumed that this was directly attributable to the impact of a flexible workplace, as many other variables that were not controlled for could have impacted the overall performance rating.

29. Based on this limited sample of data, changes in performance ratings for both the pilot and the control groups seem to follow the same pattern and indicate that, as a whole, a flexible workplace does not seem to impact performance evaluations. However, given the limited data samples available and the inability to control for other variables without further reducing the sample size, these results should be treated with extreme caution and only as one preliminary indicator.

VI. Impact on flexible work arrangements

30. The introduction of a flexible workplace also raises the question of whether it has led staff members to opt for different modalities of flexible working arrangements. In order to examine if there is a possible impact on modality of flexible working arrangements after the introduction of a flexible workplace, use of flexible working arrangements by staff members in a control group who did not work in a flexible workplace was compared with the data of a pilot group that worked in a flexible workplace over the period 2013-2016.

31. For the purposes of this analysis a pilot group of 223 Secretariat staff who used a flexible workplace in October 2016 was identified. It should be noted that not all staff participated in the flexible workplace for the same period of time as some may have joined the office after it was already in effect and others may have

experienced it for a shorter period of time as the fit-out of the floors took place in phases. As a result, the pilot population may have varying degrees of length of use of a flexible workplace. The control group numbered 689 staff in another Secretariat entity who did not work in a flexible workplace. The main results are shown in tables 2 and 3.

Table 2
Pilot group compared with control group staff numbers using flexible working arrangements, by year

Pilot group	*2014*	*2015*	*2016*
Telecommuting	17	21	54
Compressed schedule	4	0	2
External learning	0	0	0
Staggered hours	2	3	3
No use of flexible working arrangements	200	199	164
Control group	*2014*	*2015*	*2016*
Telecommuting	120	133	165
Compressed schedule	49	45	23
External learning	1	0	0
Staggered hours	48	58	10
No use of flexible working arrangements	471	453	491

Table 3
Pilot group compared with control group staff percentages using flexible working arrangements, by year

Pilot group	*2014*	*2015*	*2016*
Telecommuting	7.6	9.4	24.2
Compressed schedule	1.8	0.0	0.9
External learning	0.0	0.0	0.0
Staggered hours	0.9	1.3	1.3
No use of flexible working arrangements	89.7	89.2	73.5
Control group	*2014*	*2015*	*2016*
Telecommuting	17.4	19.3	23.9
Compressed schedule	7.1	6.5	3.3
External learning	0.1	0.0	0.0
Staggered hours	7.0	8.4	1.5
No use of flexible working arrangements	68.4	65.7	71.3

32. As the data above shows, both the pilot group and the control group exhibit similar patterns in the use of the options for staggered hours and compressed schedule over the period 2014-2015, with greater utilization by the control group. In the case of telecommuting, both groups exhibit an increase in use of approximately 2 per cent from 2014 to 2015, but the pilot group had an increase of 14.8 per cent from 2015 to 2016, while the control group's use increased only by a more modest, but significant, 4.6 per cent. It must be noted that 2016 was the year in which

flexible workplace was introduced for the pilot group. While other factors could have played a role in this, it is not unreasonable to assume that the sharp increase in telecommuting in 2016 for the pilot group was related, at least in part, to the introduction of a flexible workplace.

33. For the control group, the increase in the use of telecommuting is accompanied by a significant decrease in the use of staggered work hours (to 1.55 per cent in 2016 from an average of 7.7 per cent in the two prior years) and compressed schedule (to 3.3 per cent in 2016 from an average of 6.8 per cent). For the pilot group the figures for the use of modalities other than telecommuting remained practically unchanged in 2016 (0.9 per cent for compressed schedule and 1.3 per cent for staggered hours, still around the 1 per cent of prior years).

34. Notwithstanding the small size of the pilot group, it would seem reasonable that the introduction of a flexible workplace would tend to increase the take-up of telecommuting by staff. Flexible workplace gives staff the personal information technology tools to be flexible and mobile, thereby facilitating its use. In addition, as work teams in a flexible workplace increasingly make more use of digital tools, this also enables staff to more easily be as productive when telecommuting as when they are in the office. Moreover, in a flexible workplace environment, managers become more accustomed to managing their staff according to outputs and results, which may be leading them to allow greater use of telecommuting than previously. For these reasons, the Secretary-General is promulgating a revised policy on flexible working arrangements, which, among other things, will significantly increase the flexibility for manager and staff to use telecommuting arrangements most suitable to their work context.

VII. Tailored contracts and impact on project costs

35. As explained in the previous report (see A/70/708, paras 10 and 11, the project team developed the requirements for a construction contract tailored to the needs of the project using modular designs with fixed prices for design elements for Secretariat Building floors that could be added or subtracted and otherwise adjusted according to user department needs. Following a competitive tender, this contract was executed in May 2017. In a similar manner, the project team also developed the requirements for a tailored systems furniture contract. Following a competitive tender this contract was also executed in May 2017. Both contracts have resulted in unit cost reductions to the project as shown in table 4.

Table 4
Comparison of construction and system furniture costs for Secretariat floors
(United States dollars)

	A 69 749[a]	*A 70 708*[b]	*Current report*[c]	*Cost reduction in percentage*
Construction	351 600	1 102 700	893 800	19
Systems furniture	512 700	421 900	341 300	19

[a] Based on estimate from consultant.
[b] Average cost of S-13, 18 and 19 floors resulting from increased construction scope.
[c] New contracted costs.

VIII. Coordination with offices away from Headquarters and the regional commissions

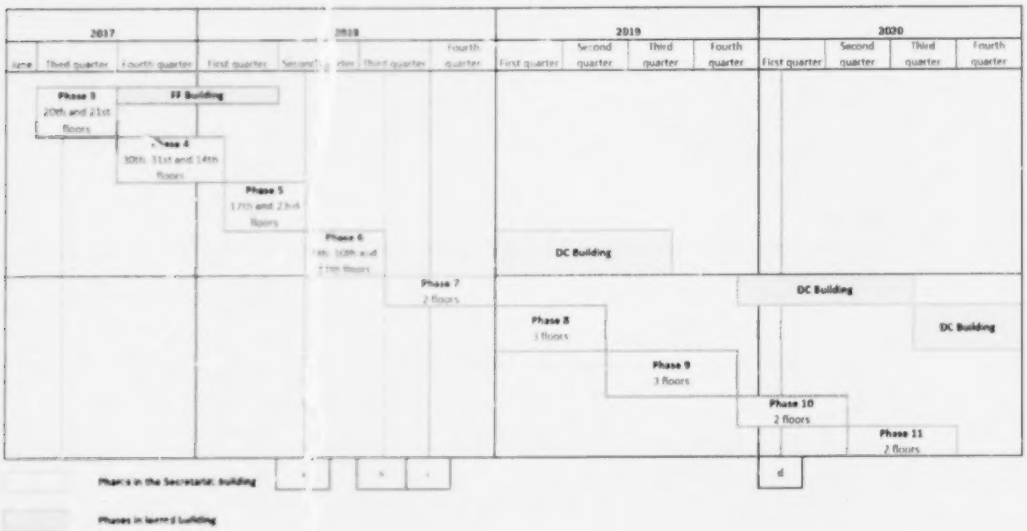
36. As has been the practice since the flexible workplace project at headquarters began, the project team has been coordinating closely with offices away from Headquarters and regional commissions which are considering flexible workplace strategies as part of new construction or major renovation projects. The project team has provided guidance to offices away from headquarters and regional commissions on general approaches to studying the feasibility and applicability of flexible workplace strategies coincident with such construction and renovation projects. In particular, the project team has provided guidance on how to conduct workplace utilization studies. Such studies have been conducted at the United Nations Offices at Geneva and Nairobi and are under preparation at the Economic and Social Commission for Asia and the Pacific and the Economic and Social Commission for Latin America and the Caribbean.

IX. Plan 2018 and onwards

37. As requested by the General Assembly in its resolution 71/272 A, a detailed implementation plan has been drawn up for the full implementation of the project which, subject to approval and funding, extends into 2020. While the implementation of flexible workplace strategies is not solely about efficiency, being also designed to provide a modern office environment that fosters collaboration, the completion of the project in the Secretariat building will deliver increased occupancy and hence space efficiency, thereby providing opportunities to make further reductions to the lease portfolio as leases expire. The full implementation plan to 2020 is outlined in the following figure.

Figure

Flexible workplace: full schedule to 2020 (tentative)



Notes:

[a] 30 April 2018, vacate United Nations Federal Credit Union Building.

[b] 31 July 2018, deadline for exercising option to extend Albano Building lease to January 2025.

[c] 30 September 2018, vacate Innovation Building.

[d] 31 January 2020, current Albano Building lease expires.

38. As noted in paragraph 11, in November 2017, phase 4 of the project will begin with the move to swing space of staff of the Department for General Assembly and Conference Management, the Office of Disarmament Affairs, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict and the Peacebuilding Support Office from the 30th and 31st floors and of the Department of Field Support and Department of Peacekeeping Operations staff from the 14th floor. On completion of phase 4 in February 2018, the Department for General Assembly and Conference Management and the Office of Disarmament Affairs will re-occupy the 30th floor of the Secretariat Building. The Special Representatives of the Secretary-General for Children and Armed Conflict and Sexual Violence in Conflict will reoccupy the 31st floor of the Secretariat Building and the Office of the United Nations High Commissioner for Human Rights will move from the 13th floor to the 31st floor of the Secretariat Building. In addition, the Special Representative of the Secretary-General for the Prevention of Genocide will move from the DC2 Building to the 31st floor of the Secretariat Building, as will the Special Representative of the Secretary-General on Violence against Children from the FF Building. Additionally, with the increased capacity on the 14th floor, Department of Field Support staff will vacate space in DC1 as they move into the newly reconfigured space.

39. As envisaged in the first progress report of the Secretary-General, A/70/708, the Daily News Building was vacated at the expiry of the lease in April 2017. It remains planned to vacate the Innovation Building on expiry of its lease in September 2018. In addition, however, it is now considered both feasible and desirable to vacate the United Nations Federal Credit Union Building in Long Island City at the end of the present lease in April 2018. Whereas it had been intended to renew the lease on that building after April 2018 as it was the most economical leased property in the portfolio on a per square foot basis, the commercial real estate market in Long Island City has now risen to the extent that rental rates to renew the lease are anticipated to be on a par with rates for midtown Manhattan in the vicinity of the United Nations compound. Given the present market rates in Long Island City it is unlikely that the lease could be renewed or replaced at the same, that is, current rate. Furthermore, vacating the building will result in an annual reduction in rental cost of $3.6 million based on the current rate.

40. Given these economic realities, detailed consultations were undertaken with the occupants, the Office of Information and Communication Technology, to determine how their needs could be met. Through these consultations it was agreed that the staff of the Office vacating the United Nations Federal Credit Union building could be accommodated by utilizing the additional capacity both on the 13th floor of the Secretariat Building and in the FF Building.

41. Subject to the approval of the next phase of the project by the General Assembly, following the completion of phase 4 in February 2018, the Secretariat will proceed to the remaining phases of the implementation.

42. Phases 5 and 6, which would entail the renovation and reoccupation of five additional floors of the Secretariat building are required to enable the termination of the lease on the Innovation Building in September 2018. Completion of phase 5 in May 2018 will enable Department of Field Support staff presently accommodated in the DC1 Building to move to the completed 17th and 23rd floors of the Secretariat Building. This will provide the necessary space to allow the Office of Internal Oversight Services to vacate the Innovation Building in July 2018. With the completion of phase 6 in August 2018, all Department of Public Information staff presently in the Innovation Building will move to the completed 9th, 10th and 11th floors of the Secretariat Building. With the relocation of the Office of Internal

Oversight Services and Department of Public Information staff by August 2018, the lease on the Innovation Building can be terminated in September 2018.

43. By the end of September 2018, a flexible workplace would have been implemented on 14 floors and would have created additional capacity for 686 staff in the Secretariat building. This additional capacity will also have enabled the United Nations to vacate the Daily News Building (April 2017), the United Nations Federal Credit Union Building (April 2018) and the Innovation Building (September 2018).

44. The total capacity that the project would deliver from implementing a flexible workplace on 26 floors in the Secretariat building as planned is 1,154. Completing the flexible workplace project, that is, renovating the remaining 12 floors of the Secretariat building subsequent to September 2018 would create additional capacity for 468 staff. A plan will be developed, making adjustments, if necessary, to the office space lease portfolio which would take into account any impact on accommodation needs at Headquarters of decisions of the General Assembly on reform proposals of the Secretary-General presented during the seventy-second session, including with respect to the proposed global service delivery model. Any planned adjustments to the office space lease portfolio would be presented in the next progress report on the implementation of a flexible workplace proposed for the main part of the seventy-third session of the General Assembly.

X. Project cost and resources requirement by comparison with the previous reports

A. Revised estimated cost of the project

45. The costs and project plan for the implementation of a flexible workplace at Headquarters have been revised using the new costs derived from the recent competitive bidding exercises. The revised implementation plan, as described in section IX, would ensure that the project will create sufficient additional capacity to make it possible to vacate three buildings, namely, the Daily News, United Nations Federal Credit Union and Innovation Buildings. Under the new plan, phases and costs for the renovation of 26 floors of the Secretariat Building are projected.

46. The total cost of the revised project plan is $54,981,400, out of which an amount of $21,648,500 has been incurred during the period 2015-2017.

47. The cost to complete the revised project during the three-year period from 2018 to 2020, is $33,332,900, out of which the amount of $25,401,300 would be required in the biennium 2018-2019 and the amount of $7,931,700 would be required in 2020.

48. A detailed year-by-year breakdown of the expenditures and estimated project cost is provided in table 5.

Table 5
Project cost by activity

(United States dollars)

Project cost, by activity	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
Planning and design services	328 600	966 400	233 200	233 200	233 200	116 600	2 111 200
Secretariat building reconfiguration/renovation	1 559 800	4 561 000	9 766 800	12 783 300	10 957 100	7 304 800	46 932 900
Swing space	3 104 200	–	–	86 900	86 900	–	3 278 000
Additional moves	26 300	–	–	–	–	–	26 300
Subtotal	**5 018 900**	**5 527 400**	**10 000 000**	**13 103 400**	**11 277 200**	**7 421 400**	**52 348 400**
Project supervision and management	202 000	430 000	470 200	510 300	510 300	510 300	2 633 000
Total	**5 220 900**	**5 957 400**	**10 470 200**	**13 613 700**	**11 787 500**	**7 931 700**	**54 981 400**

49. The costs of the remaining activities of the revised project for the implementation of a flexible workplace at Headquarters from 2018 to 2020 are estimated at $33,332,900, comprising: planning and design services ($583,000), Secretariat Building reconfiguration ($31,045,200), maintenance of swing space ($173,800) and the project team ($1,530,900), as described in detail below.

Contractual project planning ($583,000)

50. The remaining estimated costs are based on contracted rates for the project planning and change management services. This involves in-depth engagement with the affected departments in each project phase to undertake the work-needs analyses that will inform the design of each floor, and the drafting of communications and presentation materials for outreach to departments and staff.

Secretariat Building reconfiguration and implementation costs ($31,045,200)

51. The remaining estimated costs for the Secretariat Building are based on a similar scope and new contract rates obtained through competitive bidding. With 9 floors completed in 2016 and 2017, the project team expects to reconfigure the remaining 17 floors: 7 in 2018, 6 in 2019 and the last 4 in 2020.

Swing space ($173,800)

52. Swing space comprises 20,000 square feet in the third basement of the General Assembly Building. The amount of $173,800 includes provision for cleaning and ensuring operations for the duration of the project.

Project management ($1,530,900)

53. The current flexible workplace project management team as approved by the General Assembly in resolution 69/274 A consists of one Project Manager (P-5), one Design and Construction Manager (P-4) and one General Service (Other level).

B. Proposed funding of the project

54. The requirements for the implementation of a flexible workplace at Headquarters in the biennium 2018-2019 amount to $25,401,200, as shown in table 6.

55. The implementation of the next phases of the project in 2018-2019 would result in an increased seating capacity that, in turn, will allow the Secretariat to relinquish two commercial leases (the Court Square (United Nations Federal Credit Union) and Innovation Buildings) in 2018. This would result in reduced rental costs in the biennium 2018-2019 in the amount of $18.8 million ($4.9 million in 2018 and $13.8 million in 2019) (see breakdown in table 6).

Table 6
Resource requirements by biennium: Expected project cost and reduction in rental cost

(United States dollars)

Biennium	*Project costs*	*Savings in rental costs*	*Additional resource requirements*
2015	5 220 900	–	5 220 900
2016-2017	16 427 600	(1 613 700)	14 813 900
2018-2019	25 401 200	(18 814 600)	6 586 600
2020-2021	7 931 700	–	7 931 700

56. It is proposed to use the anticipated reductions in rental costs, estimated at $18,814,600 for the biennium 2018-2019, to cover part of the requirements for implementing a flexible workspace in 2018-2019, and to request appropriation of the balance of the requirements, in the amount of $6,586,600.

C. Comparison with the previous reports

57. The revised project plan is estimated to cost $54,981,400 representing a decrease of $10,728,000 compared with the amount of $65,709,400 presented in the previous report (A/70/708). A comparison of project cost, the major project deliverables in terms of headcount capacity gained and lease cost reductions contained in the previous reports (A/69/740 and A/70/708) and the present report is provided in table 7.

Table 7
Variances in project parameters between reports

Report scenarios	*Cost*	*Number of floors*			*Total capacity gained*	*Annual reduction in lease cost*	*Buildings vacated*	*Offsetting the project cost by*
		S	*FF*	*DC*				
A/69/749	$49 598 600	26	8	0	950	$16 012 900	Daily News Building, Albano Building and United Nations Federal Credit Union	2020
A/70/708	$65 709 400	26	3	5	950	$12 687 300	Daily News Building and Innovation Building	2023
Current report	$54 981 400	26	2	0	1154	$16 276 000	Daily News Building, United Nations Federal Credit Union and Innovation Building	2021

D. Benefits

58. The implementation of the flexible workplace project to date has resulted in annual savings of $2.4 million in rental costs as a result of the non-renewal of the lease of the Daily News building. The building was vacated in May 2017 and the savings already realized in 2017 are in the amount of $1.6 million.

59. Implementation of the project in 2018-2019 would result in annual savings of $13.9 million in rental costs as a result of the non-renewal of the leases of the Court Square (United Nations Federal Credit Union) and Innovation Buildings.

60. Further implementation of the project in 2020 would result in additional headcount capacity in the Secretariat building of 468 staff, which could be used to make further reductions to the portfolio of leased buildings.

61. During the period of full implementation of the flexible workplace project over a six-year period, from 2015 to 2020, in the total amount of $55 million, the Organization would save $57.8 million in rental cost. This amount would have been otherwise incurred by the Organization if it had not terminated the leases in the three commercial buildings. Implementation of the project would therefore result in net savings in the amount of $2.8 million during the duration of the project (see table 8).

Table 8
Comparison of project cost and rental costs

(United States dollars)

	Project cost	*Rental cost that would have been otherwise incurred during this period*	*Cost saving net*
2015	5 220 900	–	(5 220 900)
2016-2017	16 427 600	1 613 700	(14 813 900)
2018-2019	25 401 200	23 655 700	(1 745 500)
2020-2021	7 931 700	32 551 900	24 620 200
Total	**54 981 400**	**57 821 300**	**2 839 900**

62. After completion of the project, the annual cumulative reduction in rental cost, based on current lease figures, resulting from the termination of the three leases, would total $16,276,000.

63. Furthermore, the cost which is required for the continuation of the flexible workplace project, in the amount of $33,332,900, is significantly lower than the cost of extending the leases, taking into account the minimum mandatory length of the extension period. The cost of extending the two leases is estimated at $69,277,100 from 2018 to 2023 (see table 9).

Table 9
Estimate rental cost without the implementation of a flexible workplace
(United States dollars)

Buildings	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*
United Nations Federal Credit Union Building	2 392 500	3 588 700	3 588 700	3 588 700	3 588 700	1 196 200	17 943 500
Innovation Building	2 566 700	10266 700	10 266 700	10 266 700	10 266 700	7 700 100	51 333 700
Total	**4 959 200**	**13 855 400**	**13 855 400**	**13 855 400**	**13 855 400**	**8 896 300**	**69 277 100**

XI. Project next steps and resource requirements

64. Subject to approval of the General Assembly, the administration would:

(a) Continue to implement further phases of the flexible workplace project as indicated in the schedule shown in the figure and in accordance with the project cost plan in section X;

(b) Continue advocacy and engagement with Headquarters departments and staff to promote leadership and ensure that project benefits and positive outcomes are achieved;

(c) Continue to incorporate lessons learned from implemented phases into subsequent project phases;

(d) Continue to coordinate closely with Offices away from Headquarters and regional commissions and share lessons and best practices.

XII. Actions requested of the General Assembly

65. **The General Assembly is requested:**

(a) To approve the implementation of further phases of the project as indicated in the schedule shown in the figure and in accordance with the project cost plan in section X;

(b) To take note of the revised estimated cost of the project, as described in section X;

(c) To approve the continuation of three temporary positions (1 P-5, 1 P-4, and 1 General Service (Other level) for the project team;

(d) To authorize the Secretary-General to enter into commitments up to the amount of $25,401,200 in respect of the project costs in 2018-2019;

(e) To appropriate the amount of $6,586,600 under section 29D, Office of Central Support Services, of the proposed programme budget for the biennium 2018-2019, which would represent a charge against the contingency fund;

(f) To request the Secretary-General to submit the next report to the General Assembly at the main part of its seventy-third session.